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Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

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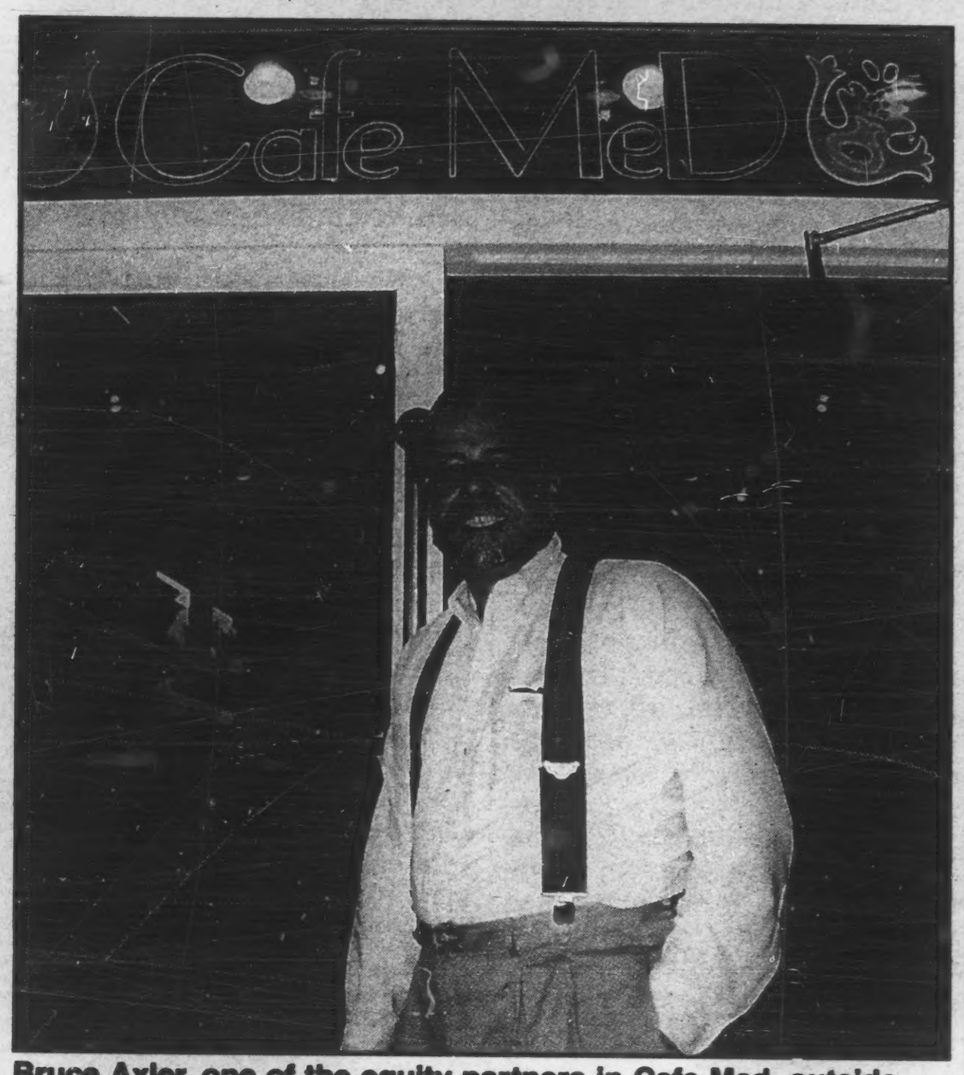

Bruce Axler, one of the equity partners in Cafe Med, outside the Mediterranean-themed restaurant in Coconut Grove.

Bice explores casual Italian with Cafe Med

by Jack Hayes

MIAMI — Hungry to carve out a slice of the growing casual Italian segment, New York-based Bice, a multiunit operator of Italian restaurants, has launched Cafe Med, a hybrid Mediterranean-themed concept in this city's trendy Coconut Grove.

With a menu emphasizing pizza, pastas, sandwiches and desserts, the wood-and-ceramic-tiled operation is the prototype for units scheduled to open this year in Atlanta, Orlando, Fla., Chicago and Cleveland, according to managing director Bruce Axler, formerly general manager of New York's Tavern on the Green.

(See CAFE MED, page 57)

Pizza Hut licensee suit spurs DC scrutiny

Hispanic Caucus examines PMI battle

by Milford Prewitt

WASHINGTON — Disturbed by Pizza Hut's intentions to disenfranchise the chain's second largest licensee, the congressional Hispanic Caucus has asked Pepsico to provide detailed information about Pizza Hut's relationship with minority franchisees.

Caucus members are also calling for a hearing, under the auspice of the House small-business committee, to begin exploring the track records of minority businessmen as franchisees of giant companies. Two of the 12 members constituting the Hispanic Caucus sit on the small-business committee.

Congressmen said the catalyst for such a hearing is Pizza Hut's lawsuit against Pizza-Management Inc., a San Anto-

(See CAUCUS, page 7)

McDonald's launches McGreening drive

With environmentalists' help, McD's plans to reduce its trash by 80%

by Milford Prewitt

OAK BROOK, Ill. — McDonald's has unveiled the foodservice industry's most sweeping, environmentally minded recycling and trash-reduction plan, an ambitious, multilayered strategy to reduce its solid waste by as much as 80 percent.

McDonald's Waste Reduction Action Plan is expected to affect all of the chain's restaurants and every aspect of unit operations.

The 42 trash-reduction initiatives, developed in league with the Environmental Defense Fund, are also destined to alter the company's interaction with suppliers, customers, employees and franchisees.

Some of the more significant changes called for by WRAP are the replacement of large, white bleached takeout bags with brown recyclable ones, the conversion to smaller paper napkins, the installation of stainless-steel condiment dispensers to eliminate the need for packets, the composting of eggshells and coffee grounds, and the testing of starch-based spoons, knives and forks as substitutes for plastic versions.

The company took a number of steps before WRAP to lessen the flow of garbage into landfills — and silence environmentalists who have attacked the chain because of its solid-waste output.

Several months ago, at the request of the EDP, McDonald's replaced its polystyrene clamshell sandwich containers with quilted paper wrappings that, unlike plastifoam, biodegrade.

And about a year ago, the company earmarked $160 million for the purchase of recycled materials.

Even as McDonald's begins to implement its environmental plan, it is opposing a group of shareholders who are demanding that the company add a series of environmental and safety principles to its corporate charter.

The group, a coalition of religious groups that collectively own less than 1 percent of McDonald's stock, has proposed that the company adopt a corporate responsibility statement requiring that it practice energy efficiency, minimize health and safety risks to employees, and conduct and publicize an annual audit.

But McDonald's urged shareholders to defeat the so-called Valdez Principles (named after the Exxon Valdez oil tanker), arguing that it was committed to sound environmental practices long before the infamous oil spill and that solu-

(See MCD, page 4)

Wild Bill's rides into LA

Rank Organisation debuts high-volume casual-themers

by Richard Martin

BUENA PARK, Calif. — L.A. Entertains, a dinner-theater arm of London-based Rank Organisation PLC, has debuted here by launching the first of two 800-seat restaurants tailored for high-volume operations near Southern California's busiest theme parks.

Wild Bill's Western Dinner Extravaganza, which charges about $30 per person for a two-hour variety show and a four-course dinner, opened last month a block from the country-style restaurants, Old West streets and thrill rides of Knott's Berry Farm, the nation's third-largest theme park.

The Rank subsidiary's King Henry's Feast, set in a "castle" and featuring a themed, theatrical fantasy of jugglers, magicians, sword fighters and trapeze flyers, is scheduled to open early next year in Anaheim, near Disneyland, the country's second larg-

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NEWS BRIEFS

Amex agrees to roll back commission rates

NEW YORK — American Express has agreed to lower the fees it charges restaurants that accept its charge card and process the transaction electronically.

However, the company would not disclose the extent of the rollback, which takes effect June 1.

The fee reduction comes after a group of restaurants in Boston threatened to discontinue their use of the American Express card unless the merchants' commission charges were reduced. At the time, Amex said it was already considering a rollback in the rates.

Currently, American Express' merchant fees range from 3 percent to 5 percent.

Burger King airs new 'your way' ad campaign

MIAMI — Burger King has rolled a new advertising campaign, "Your way, right away," confirming long-circulating reports that the No. 2 burger chain was returning to a version of its popular 1970s tag, "Have it your way."

The new ad, which is currently running on television and features the BK Broiler, is designed to impart to consumers that anything on the menu can be prepared the way they want it.

"This is the next phase of our advertising strategy, to focus on products by customizing them for the customer," said Michael Evans, a BK spokesman.

In replacing the controversial "Sometimes, you've gotta break the rules" campaign, the "Your way, right away" spots could improve BK's relationship with its franchisees. Over the past year and a half, many of the licensees had been clamoring for the company to abandon the often-confusing rules campaign.

The man who created the "Break the rules" spots, advertising chief Gary Langstaff, resigned in March.

Bob Evans opens new prototype

MASON, Ohio — Bob Evans has opened its new restaurant concept here, a combination restaurant, bakery and gift shop called Bob Evans' General Store and Restaurant.

The outlet features such old-time items as wood-burning stoves, butter churns and sacks of flour. Home-style country foods highlight the menu.

The company has admitted that the new prototype is similar to Cracker Barrel, a competing family restaurant chain.

However, Bob Evans also notes that the new store is a refinement of a 20-year-old one that Bob Evans Farms operates in Rio Grande, Ohio.

Other new General Stores and Restaurants are scheduled to open within the next year in Breezewood, Pa.; Myrtle Beach, S.C.; and Williamsburg, Va.

Wage hike hurts Ore. employees, survey reveals

CORVALLIS, Ore. — An Oregon State University survey of 316 full-service-restaurant employees found that some workers have been hurt by the recent increase in the state's minimum wage.

About 34 percent of the surveyed workers said their total income had risen since Jan. 1, when the state's minimum wage rose from $4.25 to $4.75, but 18 percent said they were making less money because their employers were scheduling them to work fewer hours.

Almost a quarter of the respondents said they are now required to do more work.

However, the survey was "not a scientific study" because the individuals were not randomly selected. He said the respondents worked at restaurants that belonged to members of the Oregon Restaurant Association.

The ORA is lobbying the state Legislature to adopt a tip-credit bill that would allow restaurateurs to pay tipped employees less than the minimum wage.

Fiori leaves Chi-Chi's

LOUISVILLE, Ky. — Mike Fiori, a driving force behind Chi-Chi's, has resigned as executive vice president of the Mexican dinner-house chain, a division of San Diego-based Foodmaker Inc.

Fiori said he was ready to become president of the 200-unit chain, but Hal Smith, president and chief operating officer, was not ready to relinquish the post.

Smith did not respond to requests for an interview.

"Hal is going to become more involved in day-to-day operations," said Fiori, who said there was no conflict between the two. "I want to pursue a top opportunity elsewhere."

Fiori spent 10 years with the chain.

Baskin-Robbins rolls out fat-free items

GLENDALE, Calif. — Baskin-Robbins Inc. has launched two flavors of a fat-free frozen dessert product at its 2,300 ice-cream shops nationwide.

The Fat Free Just Peachy and Fat Free Chocolate Vanilla Twist products are made with the Simplesse-brand fat substitute, a blend of skim milk protein and cooked egg white. Baskin-Robbins said its new items, at 100 calories per half cup, contain one-third fewer calories than does ice cream.

Sold for the same prices as the chain's regular ice cream, the fat-free items will be displayed in a new "Light Center" freezer area, along with low-fat and sugar-free ice cream.

Rostenkowski says TJTC should not be renewed

WASHINGTON — One of Congress' most influential tax experts has declared his opposition to the renewal of two tax breaks used by restaurateurs.

Rep. Dan Rostenkowski, the Illinois Democrat who chairs the House Ways and Means Committee, said he would resist renewal of both the Targeted Jobs Tax Credit and the deduction of health-insurance premiums paid by self-employed individuals.

Rostenkowski stated his opposition in an interview with The Wall Street Journal held during a recess in hearings convened recently by the Ways and Means Committee.

At the hearings Pizza Hut marketing manager Joseph Froehle testified on behalf of the National Restaurant Association. He urged the committee to consider that 450,000 hard-to-employ individuals were given jobs in the foodservice industry during 1989 because their employers could take advantage of the TJTC. The credit permits businesses to write off 40 percent of the first $6,000 in wages paid to disadvantaged employees from nine categories.

Lawmaker airs plan fo finance small businesses

WASHINGTON — The chairman of the House Small Business Committee has introduced a proposal that attempts to put affordable financing within reach of more small businesses, such as restaurants.

Under the plan aired by Rep. John LaFalce, D-N.Y., the government would establish a funding pool administered by a private corporation. The operation would encourage lending to small businesses in part by using its funds to secure loans made by other institutions to small operations.

The same arrangement was used to set up the Federal National Mortgage Association (Fannie Mae), an operation that strives to make mortgages more accessible by purchasing the loans on the secondary market from their issuers.

Lee's rolls test of skinless chicken

NASHVILLE, Tenn. — Following other major segment players, Lee's Famous Recipe Chicken, a division of Shoney's Inc., is testing a new skinless product: Country Lite Chicken.

The new menu item, which contains less fat, cholesterol and sodium than does its regular chicken, is being tested at 39 units in Dayton, Ohio, and Montgomery, Ala.

After a one-month test, the non-frozen chicken dish is expected to be introduced to Lee's 279 units systemwide. In addition to the regular two-piece serving, Lee's Country Lite is available in a three-piece meal, nine-piece only or family pack.

FINANCIAL NEWS

Interest expenses slash Marriott Corp.'s profits

by Jack Hayes

WASHINGTON — An ocean of interest on its unsold hotel properties washed away first-quarter profits for Marriott Corp. despite the company's efforts to slash expenses with administrative staff cuts and other belt-tightening moves.

Recording an 8-percent sales gain, to $1.83 billion, for the quarter ended March 22, up from $1.68 billion in the same 1990 period, Marriott watched net income decline 64 percent, to $10 million, compared with $28 million a year ago.

However, the company's operating income dipped only 4 percent in the quarter, to $93 million, vs. last year's $97 million.

In the midst of a weak real-estate market, Marriott was unable to sell hotels and use the proceeds to pay down loans that were taken to build the properties.

"As the real-estate and capital markets deteriorated, the credit crunch hit them with a vengeance," said Joseph J. Doyle, a New York-based Smith Barney analyst who follows Marriott.

"Basically, the interest expense doubled. Otherwise, their occupancy performance wasn't that bad."

The company acknowledged that its interest expenses for the first quarter were up 82 percent over the 1990 tally. To meet the cost of servicing its $3 billion debt, Marriott reduced corporate expenses with staff pruning and other overhead cuts.

Nevertheless, aside from interest problems, the Persian Gulf war and the recession cut into occupancy rates at all of Marriott's lodging operations except the Fairfield Inn budget motels.

Furthermore, Marriott said that, despite advancing sales and operating income at its contract services division, its Host/Travel Plaza division was hurt by a drop in both business and tourist travel, particularly by a decline in the number of Japanese visitors to the West Coast, during the quarter. The division operates restaurants and retail outlets in airports and highway rest stops.

"The quarter was a pinch better actually than I had expected," said Smith Barney's Doyle. "The second and third quarters will have similar problems, but the last one should see improvement."

Marriott's earnings might be off 30 percent to 35 percent for the year, Doyle added.

The company said it is sitting with at least 100 unsold hotel properties, the majority of which are smaller units, according to Marriott spokesman Terry Souers. The value of those properties is about $1.5 billion, Souers added.

"We feel most of them should be sold by 1992," Souers said. Analysts are in agreement.

The company said cash flow from its core business and assets sales will help reduce long-term debt. More than a year ago Marriott began to sell off its restaurant holdings as part of a restructuring effort to focus on lodging and contract services.

"Marriott proved it was able to swallow assets without going bankrupt. It hurt earnings, of course, but the company still had $225 million in cash at the end of the quarter," Doyle explained.

Still remaining in Marriott's bag of unsold assets are a 1,500-room hotel in San Francisco. In February the company announced deals to sell off another 45 family restaurants — in addition to the 120 Allie's and Big Boy units that were sold to Restaurant Enterprises Group for $65 million.

The company noted that it expects the restaurant transactions to be complete in 1991.

> "As the real estate and capital markets deteriorated, the credit crunch hit them with a vengeance."
> — Joseph J. Doyle

FOOD PRICE OUTLOOK

Pork supplies continue strong

by Patt Patterson

Although **pork** prices aren't at extreme lows, they have fallen with more hogs hitting the market. U.S. Department of Agriculture surveys indicate there are about 2 percent more hogs on the farms than there were last year at this time. It's not a lot but enough to moderate prices as they are marketed.

Domestic **ham** prices are also down somewhat, both for regular and canned. In self-defense some imported canned ham prices have been lowered, particularly those from Denmark (the largest importer), Yugoslavia and Hungary. Reports indicate that larger deli-size hams are in better supply, with inventories building. If the dollar's exchange rate continues to rise, prices of imports should continue to fall.

Poultry production continues to run ahead of last year's. Broiler prices are down about 6 percent or 7 percent. Demand continues strong and building. Expect stable broiler prices for the next few weeks.

Turkey production is up, but more is going into processed products, reducing supply and demand swings. Processed turkey use in foodservice continues to grow, stabilizing prices.

Egg prices are almost 15 percent down from last year's levels in some regions. Part of this is due to a late Easter last year and an early one this year. Egg prices normally slump for a couple of months after Easter. Production is up slightly from last year, indicating prices may remain at present levels well into June.

With government buying for Desert Storm tapering off, prices of several **canned vegetables** slacked off a bit, especially corn. Supplies of Fancy whole kernels now look as if they'll hold out until the new crop this fall. **Frozen corn** is in fairly good supply, with prices stable to a bit lower on B grade, firm on A. French- fry prices continue lower than last year for both A and B grades.

Avocado supplies will be about the same as last year's, tight but available. Quality is good; prices are high. Availability of fresh **grapes** is expected to drop during May, early June, until California supplies start, and prices are expected to be high until then.

FACT FILE

Who's footing the bill???

(in percentages, how a meal is paid for)

Those who:	By sex: Total	Men	Women	By region: South	West	East	Midwest
Use credit cards	45	51	38	28	55	49	47
Use coupons/ special deals	64	61	68	55	71	59	72

Source: Research Advantage Inc., Hawthorne, N.Y.

FINANCIAL DIGEST

ShowBiz's 1st-Q net climbs 29%

IRVING, Texas — Lower interest expenses and improved operating margins helped ShowBiz Pizza Time Inc. achieve a 29-percent gain in net income, to $6.2 million, on a 12-percent hike in revenues, to $53.3 million, for the first quarter ended March 26.

The company also said its results were also buoyed by a 1.2-percent gain in comparable store sales and the addition of 15 new company outlets.

The company's Tex-Mex concept, Monterey's Tex-Mex Cafes, posted a 3.2-percent gain in comparable store sales, according to ShowBiz chairman and chief executive Richard Frank.

The company operates 146 of the 268 ShowBiz Pizza Palace and Chuck E. Cheese restaurants. It also operates 27 Monterey's Tex-Mex Cafes.

Southland posts 4th-Q profit of $1.5M

DALLAS — Southland Corp., operators of the 7-Eleven convenience-store chain, overcame a whopping $1 billion year-ago loss to post a $1.5 million profit for the fourth quarter ended Dec. 31.

The company's quarterly earnings release — delayed by its emergence from Chapter 11, a complicated bond swap, and its takeover by a Japanese franchise group — reported that revenues flattened, up less than 0.5 percent, to $2 billion.

For the year Southland's losses narrowed to $276 million, from $1.3 billion for the prior year. Revenues were up 0.7 percent, to $8.4 billion. During the quarter the company emerged from Chapter 11 to complete a complex reorganization plan in which it became 70 percent owned by its Japanese franchisee, Ito-Yokado and 7-Eleven Japan.

Ryan's revenues grow 9%; profits flatten

GREER, S.C. — Ryan's Family Steak Houses said 16 new restaurants boosted first-quarter revenues 9 percent, to $70.5 million, but profits flattened, rising just 0.2 percent, to $5.9 million.

The company attributed the sluggish profit growth to declines in same-store sales. They were down 5 percent for the period.

Customer traffic declined more than 6 percent in January with the outbreak of the Persian Gulf war, but the company recorded improvement in customer visits during the closing weeks of the quarter. While fixed costs consumed a larger portion of revenues, company officials said Ryan's financial structure is sound, pointing out that fact that the company tends to own its land and buildings.

At the end of the quarter, the company operated 142 of the 177 restaurants in the chain.

JB's Restaurants says profits drop 9%

SALT LAKE CITY — JB's Restaurants posted a 9-percent drop in net income, to $259,000, despite a 10-percent gain in revenues, to $27 million, for the second quarter ended March 11.

For the six-month period ended March 11, sales rose 11 percent, to $54.3 million, but profits fell 11 percent, to $466,000.

"The first half of the fiscal year presented some difficult challenges for our company and the industry as a whole," Fred Gonzales, president and chief operating officer, said in a statement. "The Persian Gulf crisis, a declining economy and a continuing competitive market have all had a negative effect on the restaurant business."

At the end of the quarter, the company operated 134 JB's family-style restaurants and four Sbarro units in 10 Western states.

Hilton Hotels' 1st-Q net falls 51 percent

BEVERLY HILLS, Calif. — Poor hotel occupancy rates in key markets led to a 51- percent decrease in the Hilton Hotels' first-quarter net income, down to $12.3 million, on a flat gain in revenues, to $266.9 million, for the period ended March 31.

The company said declines in travel and hotel occupancy levels during the recession and the Persian Gulf war had a particularly damaging effect on the chain's key markets of New York and Hawaii.

"While there are signs the recession may have bottomed out, emergence from the downtown, particularly in the hotel sector, remains cloudy," Barry Hilton, chairman and president, said in a statement.